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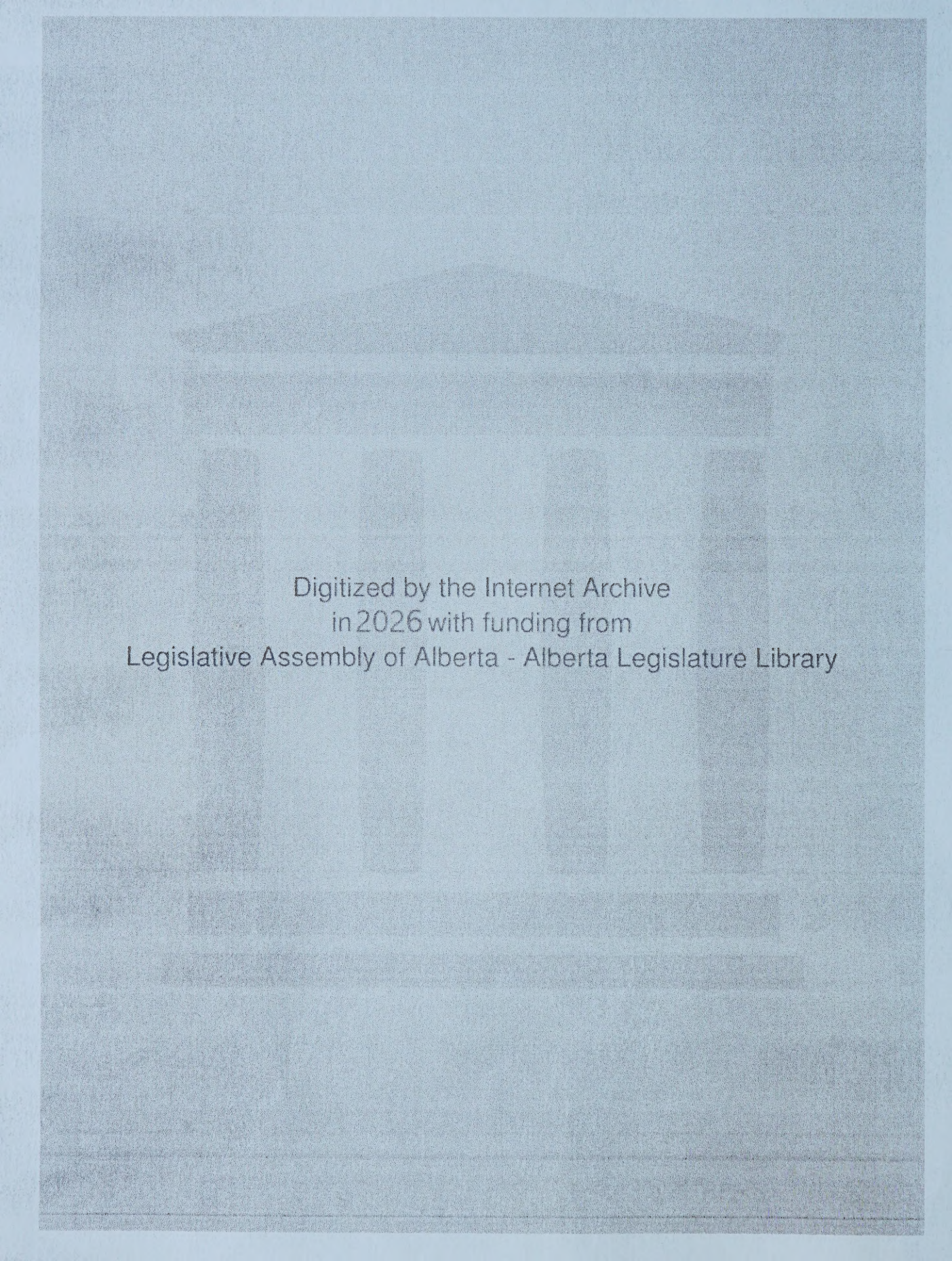
ALBERTA RESOURCES RAILWAY CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 1975



DOUGLAS W. ROGERS, C.A.
PROVINCIAL AUDITOR



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OFFICE OF THE PROVINCIAL AUDITOR

AUDITOR'S REPORT

ALBERTA RESOURCES RAILWAY CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 1975

To the Board of Directors,
Alberta Resources Railway Corporation

I have examined the balance sheet and the statement of debenture debt of the Alberta Resources Railway Corporation as at December 31, 1975 and the statement of revenue, expenditure and deficit for the year then ended. My examination included a general review of the accounting procedures and such tests of substantiating evidence as I considered necessary in the circumstances.

Auditor's Report

Balance Sheet

Statement of Revenue, Expenditure and Deficit

Statement of Debenture Debt

Notes to the Financial Statements

Edmonton, Alberta
March 27, 1976



OFFICE OF THE PROVINCIAL AUDITOR

AUDITOR'S REPORT

To the Board of Directors of the
Alberta Resources Railway Corporation

I have examined the balance sheet and the statement of debenture debt of the Alberta Resources Railway Corporation as at December 31, 1975 and the statement of revenue, expenditure and deficit for the year then ended. My examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as I considered necessary in the circumstances.

In my opinion these financial statements present fairly the financial position of the Corporation as at December 31, 1975 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A handwritten signature in cursive script, reading "J. W. Royce".

C.A.
Provincial Auditor.

Edmonton, Alberta
March 27, 1976

ALBERTA RESOURCES RAILWAY CORPORATION

BALANCE SHEET

AS AT DECEMBER 31, 1975

(with comparative figures)

ASSETS			LIABILITIES AND DEFICIT		
	1975	1974		1975	1974
Current:			Current:		
Deposits in trust with the Province of Alberta	\$ 849,341	\$ 29,219	Accounts payable:		
Accounts receivable	<u>267,598</u>	<u>196,080</u>	Province of Alberta (Note 4)	\$ 53,245,977	\$ 43,107,210
	<u>1,116,939</u>	<u>225,299</u>	Other	15,703	308,309
Agreement for sale	<u>20,800</u>	<u>41,600</u>	Accrued interest payable:		
Sinking fund: (Note 8)			Province of Alberta	7,124,183	7,039,684
Deposits in trust with the Province of Alberta	1,512,613	3,500,832	Other	2,995,545	3,404,962
Investments, at amortized cost (approximate market value: 1975 \$4,642,875; 1974 \$469,375)	4,614,270	451,036	Notes payable:		
Accrued interest	<u>92,796</u>	<u>11,219</u>	Province of Alberta	98,814	1,907,083
	<u>6,219,679</u>	<u>3,963,087</u>	Treasury Branches (Note 5)	25,000,000	25,000,000
Fixed:			Unearned revenue	<u>477</u>	<u>-</u>
Land, at cost (Note 2)	82,043	82,043		<u>88,480,699</u>	<u>80,767,248</u>
Railway, at cost (Note 3)	<u>100,049,936</u>	<u>99,943,147</u>	Long term debt:		
	<u>100,131,979</u>	<u>100,025,190</u>	Debenture debt, Statement C (Note 6)	25,000,000	45,000,000
Deferred charges:			Notes payable (Note 7)	<u>45,000,000</u>	<u>25,000,000</u>
Unamortized debenture discount	<u>-</u>	<u>16,263</u>		<u>70,000,000</u>	<u>70,000,000</u>
	<u>\$107,489,397</u>	<u>\$104,271,439</u>	Deficit, Statement B	(50,991,302)	(46,495,809)
				<u>\$107,489,397</u>	<u>\$104,271,439</u>

The accompanying notes are part of these financial statements.

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ALBERTA RESOURCES RAILWAY CORPORATION
STATEMENT OF REVENUE, EXPENDITURE AND DEFICIT
FOR THE YEAR ENDED DECEMBER 31, 1975
(with comparative figures)

	<u>1975</u>	<u>1974</u>
<u>REVENUE</u>		
Tonnage rental	\$ 3,279,909	\$ 2,332,564
Interest	52,537	55,576
Miscellaneous	4,756	1,400
	<u>3,337,202</u>	<u>2,389,540</u>
<u>EXPENDITURE</u>		
Interest on capital borrowings	8,117,171	8,949,560
Professional fees	29,593	28,365
Directors' fees and expenses	19,834	18,535
Amortization of debenture discount	16,263	33,754
Debt service charges	5,060	6,506
Office and stationery expense	1,346	727
Miscellaneous	20	1,189
	<u>8,189,287</u>	<u>9,038,636</u>
Operating surplus (deficit) for the year	(4,852,085)	(6,649,096)
Operating surplus (deficit) at beginning of year	<u>(46,658,896)</u>	<u>(40,009,800)</u>
Operating surplus (deficit) at end of year	<u>(51,510,981)</u>	<u>(46,658,896)</u>
Sinking fund at beginning of year	163,087	-
Earnings for the year	<u>356,592</u>	<u>163,087</u>
Sinking fund surplus at end of year	<u>519,679</u>	<u>163,087</u>
Surplus (deficit) at end of year	<u><u>\$ (50,991,302)</u></u>	<u><u>\$ (46,495,809)</u></u>

ALBERTA RESOURCES RAILWAY CORPORATION

STATEMENT OF DEBENTURE DEBT

AS AT DECEMBER 31, 1975

<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Currency</u>	<u>Interest Rate</u>	<u>Amount Outstanding</u>
Oct. 1, 1973	Oct. 1, 1993	Canadian	7.61%	\$ 5,484,000
Nov. 1, 1973	Nov. 1, 1993	Canadian	7.58	5,877,000
Dec. 3, 1973	Dec. 3, 1993	Canadian	7.50	5,170,000
Jan. 2, 1974	Jan. 2, 1994	Canadian	7.47	2,775,000
Feb. 1, 1974	Feb. 1, 1994	Canadian	7.53	<u>5,694,000</u>
				<u>\$25,000,000</u>

NOTES TO THE FINANCIAL STATEMENTSDECEMBER 31, 1975

Note 1 Authority

The Alberta Resources Railway Corporation operates under the authority of The Alberta Resources Railway Corporation Act, Chapter 15, Revised Statutes of Alberta 1970. Under the terms of an agreement dated October 1, 1965 between the Corporation and the Canadian National Railway Company, the Company has completed construction of a railway on behalf of the Corporation. The agreement further provides for the lease of the railway by the Company with an option to purchase. The purchase price under the purchase option amounted to \$135,613,307 as at December 31, 1975 calculated in accordance with the agreement as follows:

Railway, at cost:

Balance, December 31, 1974	\$ 99,943,147
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Add: Capital costs for the year	<u>106,789</u>
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Balance, December 31, 1975	100,049,936
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Accumulated deficiency
account:

Balance, December 31, 1974	\$38,601,360
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Add: Interest charged for the year in accordance with Section 3.11 (3) of the agreement	<u>6,280,070</u>
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	44,881,430
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Deduct: Tonnage rental revenue for the year	<u>3,279,909</u>
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Balance, December 31, 1975	\$41,601,521
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Deduct: Reserve for
interest reduction:

Balance, December 31, 1974	5,288,724
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Add: Credit to the reserve for the year in accordance with Section 4.5 of the agreement	<u>749,426</u>
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Balance, December 31, 1975	<u>6,038,150</u>
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	<u>35,563,371</u>
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	<u>\$135,613,307</u>
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Note 2 Land

Land, at cost consists of land purchases not required for the operation of the railway.

Note 3 Railway

Railway, at cost consists of those costs incurred in the construction of the railway chargeable to "capital account" under Section 3.11 (1) of the agreement between the Corporation and the Canadian National Railway Company. No depreciation has been included in the accounts of the Corporation.

Note 4 Accounts Payable, Province of Alberta

This amount represents expenditures and sinking fund contributions which were paid from the General Revenue Fund of the Province and are to be recovered from the operations of the Corporation.

Note 5 Notes Payable, Treasury Branches

This note payable dated March 1, 1974 is payable on demand. It is held by the Treasury Branches, Head Office and bears interest at the Treasury Branches prime rate less one percent. It is unconditionally guaranteed as to principal and interest by the Government of the Province of Alberta.

Note 6 Debenture Debt

These debentures are unconditionally guaranteed as to principal and interest by the Government of the Province of Alberta.

Note 7 Long Term Debt, Notes Payable

- (a) A note payable in the amount of \$25,000,000 is held by the Canadian Imperial Bank of Commerce and bears interest at the prime rate in effect at the Main Branch, Edmonton, less one quarter of one percent. It is due July 15, 1977 and is unconditionally guaranteed as to principal and interest by the Government of the Province of Alberta.

Note 7 (cont'd)

- (b) A note payable in the amount of \$20,000,000 is held by the Treasury Branches, Head Office and bears interest at 8 1/2% per annum. It is due July 31, 1980 and is unconditionally guaranteed as to principal and interest by the Government of the Province of Alberta.

Note 8 Sinking Fund, Investments

Investments included with sinking fund assets are summarized hereunder:

<u>Particulars</u>	<u>1975</u>		<u>1974</u>
	<u>Par Value</u>	<u>Amortized Cost</u>	<u>Amortized Cost</u>
Debentures:			
Government of Canada, direct	\$2,000,000	\$1,969,868	\$ -
Provincial, direct and guaranteed	<u>2,950,000</u>	<u>2,644,402</u>	<u>451,036</u>
	<u>\$4,950,000</u>	<u>\$4,614,270</u>	<u>\$451,036</u>

